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C O N F I D E N T I A L SECTION 01 OF 04 MAPUTO 000310

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AF/FO, AF/S FOR HTREGER, AF/RSA/ACOTA BHUGHES

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SUBJECT: MOZAMBIQUE: ASSISTANT SECRETARY FOR AFRICAN  
AFFAIRS CONSTANCE NEWMAN'S VISIT MARCH 2, 2005

Classified By: Ambassador Helen La Lime for reasons 1.4 b/d

1. (C) Summary: In her March 2 meetings with President Guebuza, Prime Minister Diogo, Foreign Minister Abreu, and other officials visiting A/S Newman outlined USG priorities of fighting HIV/AIDS and promoting economic development. She emphasized the need for the GRM to show leadership in discussions on a Millennium Challenge Account compact, urged resolution of the land dispute involving the OPIC-supported Nyati Beach Lodge, encouraged Mozambique to play a greater peacekeeping role, and discussed concerns over Zimbabwe and SADC. President Guebuza explained the priorities of his new government and thanked A/S Newman for USG support in economic development, fighting HIV/AIDS, and attacking corruption. GRM officials were uniformly concerned about the Nyati dispute, understood the need to act on the MCA compact, and said Mozambique was ready to expand its peacekeeping efforts if outside funding could be obtained. End Summary.

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Meeting with the President  
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2. (C) President Guebuza welcomed Assistant Secretary Newman by thanking her for the support received from the United States and by highlighting that Mozambique is still the same country as under his predecessor - one that will live up to past commitments as it pursues his administration's agenda. Mozambique values its relationship with the United States and will work to strengthen the partnership. He viewed it as significant that the Assistant Secretary had undertaken to visit Mozambique so soon after the appointment of his government.

3. (C) DEVELOPMENT AND MCA: Guebuza was very focused on the need for his administration to produce tangible results in fighting poverty, reducing corruption, eliminating excessive red tape and bureaucratic laziness, and tackling crime. He stressed that he considered Mozambique's qualification for an MCA compact an opportunity to achieve results in eliminating absolute poverty and promoting rural development. Agreeing, A/S Newman emphasized the need for government leadership to keep the process on track and to ensure that MCA activities were coordinated with the efforts of other donors. The President replied saying, "We will work on that." He also told her that Mozambique needed to do more to develop infrastructure in rural areas and to extend banking and credit facilities throughout the country.

4. (C) CORRUPTION: Addressing a question from the Assistant Secretary on how he intended to fight corruption, the

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President noted that as a first step, his new government was made up of people who took the issue seriously and who were committed to doing something about the problem. Guebuza continued by saying that he viewed reform of the justice system as key in the fight against corruption. He referred to a speech he had given the day before when he opened the judicial year, saying he had been very firm on the need for the justice sector to address problems plaguing it. He intends to deliver on this campaign promise to reduce corruption by directing additional resources for training within the justice system to create an environment within the courts and the police where the rule of law prevails. The President also thanked the Assistant Secretary for the support the United States has given in training police and for the work we were doing in the area of community policing.

5. (C) HIV/AIDS: Other priorities the President discussed with Ms. Newman included the need for more practical education, particularly at the secondary level. His new minister of education will also be involved in an effort to increase technical training opportunities, especially in the agricultural sector. He agreed that HIV/AIDS represents Mozambique's greatest challenge and welcomed the support the U.S. was providing via the President's Emergency Plan. Mentioning that he had met with Ambassador Tobias last summer, President Guebuza asked that we continue to expand our efforts along the "HIV corridors" and along the borders with Malawi and Zimbabwe.

6. (C) PEACEKEEPING: A/S Newman asked whether Mozambique was prepared to participate in AU or other peacekeeping operations. Mozambique, the President said, was willing to

participate towards the peaceful resolution of problems in Africa and could contribute well-disciplined troops, as evidenced by Mozambique's record participating in the Burundi peacekeeping operations. The ongoing ACOTA program would also further prepare Mozambique for peacekeeping operations. The issue is not the willingness or the capacity to participate in peacekeeping operations, the President noted, rather it is the lack of available funding for equipment and lift. Mozambique's limited defense budget simply could not cover such costs, he said. A/S Newman welcomed Mozambique's willingness to contribute to peace efforts on the continent and pointed out that in Sudan donors have contributed funding for lift, equipment and ground support via the African Union.

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Prime Minister Diogo  
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17. (C) MCA: The Assistant Secretary emphasized the importance of government leadership in the MCA compact process and of government ownership of the country's final proposal. She cited the active involvement of Madagascar's president in its process and noted that Madagascar was expected to sign a compact soon. (The Prime Minister asked if Mozambique could see a copy of Madagascar's compact; post would appreciate receiving a copy once it is made public.) A/S Newman also noted the importance of projects that could be completed within the MCC's time horizon. She stressed the importance of the visit in two weeks of an MCA delegation, saying it would be crucial for the government to show leadership.

18. (C) Diogo responded that, while it may not have always appeared to the MCC to be the case, the government had shown leadership in the process. She noted her own visit to MCC headquarters last year. She said the Minister of Planning and Development had the lead in the new government (his new ministry has been split off from what was the Ministry of Finance and Planning in the Chissano government). She discussed aspects of the GRM's concept paper, including the Nacala airport, roads in the north, and agricultural and industrial parks in Zambezia province. Repeating a theme of President Guebuza, she cited the importance of vocational training, and she discussed policy reforms.

19. (C) NYATI BEACH LODGE DISPUTE: A/S Newman told the Prime Minister that the still-unresolved land dispute between an American and a Zimbabwean threatened American investor confidence in Mozambique and affected USG perceptions of the country. Diogo characterized it as one of the "most unhappy cases" for the government, and agreed that it was bad for the country's image. She said that it was most unusual for a lower court to ignore a Supreme Court ruling for so long. She added that she had discussed with the Supreme Court president the failure to implement the decision and had urged him to take a quick decision on the underlying case, which has been appealed to the Supreme Court. (Note: The Zimbabwean had evicted the American from the lodge in January based on lower court rulings in October and January. After the Supreme Court suspended enforcement of those rulings while it considered the American's appeal, police who were occupying the lodge left. However, the Zimbabwean still has possession, and the lower court has not ordered police to evict them. End note.) Prime Minister Diogo remarked that such a standoff only happened in one case in a thousand, but she also said the government had a lot of work to do on the judicial sector. She said the GRM was working through Interior Minister Pacheco on this issue. At the end of the meeting, she returned to the issue, saying the GRM was with the American investor and had to work on the matter.

10. (SBU) HIV/AIDS AND PRIVATE SECTOR ISSUES: A/S Newman noted the importance of measurable results to the USG Emergency Plan actions to fight HIV/AIDS. PM Diogo said that HIV/AIDS was costing Mozambique 1% of GDP growth each year. She said the National AIDS Commission would issue a strategic action plan by April. She discussed business efforts to fight HIV/AIDS but said that large companies such as the MOZAL aluminum smelter were doing more than small companies. Diogo also outlined GRM priorities that would help the private sector, including increasing provision of infrastructure, reducing red tape, and reforming the labor law. She expressed interest in the June CCA Business Summit in Baltimore, and she noted efforts to establish a Nacala-Baltimore sister city relationship.

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Foreign Minister Abreu  
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10. (C) MCA: The Assistant Secretary underscored the need for evidence of more government involvement, in addition to private sector and civil society participation, in discussions over the proposed compact. She noted that Madagascar was likely to be the first country to sign a compact and that its president had been personally involved in discussions. She added that the arrival of an MCC delegation in two weeks would be an important event.

Minister Abreu replied that MCC assistance would be an important element in the GRM's strategy to reduce poverty and promote development, and that the GRM was prepared to work hard to reach a compact. She noted the importance the GRM placed on technical training of the unemployed as part of its development strategy. She emphasized that newly-elected President Guebuza had infused his cabinet with a strong sense of service towards Mozambique's people and a serious attitude toward work and performance. Guebuza had also encouraged his government to work with other political parties, she said. She noted that members of the major opposition party, Renamo, in the session of Parliament that began March 1, had pledged to contribute positively to Guebuza's agenda.

¶11. (C) SADC/ZIMBABWE: FM Abreu raised Mozambique's hopes that former Transport and Communications Minister Tomaz Salomao would be chosen as the next Executive Secretary of the Southern Africa Development Community (SADC). (Comment: Salomao is a member of the ruling Frelimo party's powerful 15-member Political Commission.) A/S Newman replied that the U.S. understood the importance to Mozambique of SADC as a regional organization and appreciated the GRM's desire to see its candidate chosen.

¶12. (C) The Assistant Secretary then raised Zimbabwe, the importance of SADC's actions, and their implications for US-SADC relations. She told the Foreign Minister that the United States was very concerned that the March 31 parliamentary elections be free and fair, and indicated that we hoped that SADC would urge that they be conducted properly. U.S. relations with SADC had soured in recent years, with SADC refusing U.S. funding in 2002 due to our criticism of Mugabe's rule, she told Abreu. We would be watching to see how SADC, which would be monitoring the elections, responded if Mugabe's party committed fraud. Ms. Newman said that until there were stronger statements about democracy in Zimbabwe, it would be hard to resume our former close relationship with SADC. Abreu said her government expected Mugabe to respect SADC principles in the election. She added that GRM Minister in the Presidency for Diplomatic Affairs Madeira was that day returning from a visit to Harare (septel reports on A/S Newman's meeting with Madeira).

¶13. (C) PEACEKEEPING: Responding to a query by the Assistant Secretary about Mozambique's support for peacekeeping

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efforts, FM Abreu turned to Vice Foreign Minister Banze, who had served as Vice Minister of Defense under Chissano. Banze was blunt: "Whenever we are able to take part, we will," he replied. Mozambique felt morally obligated to contribute peacekeepers, he continued, having benefited from peacekeeping forces in Mozambique in 1992-1994 post civil war period. More importantly, though, the government had a strong interest in "peace in the region and beyond." He noted, though, that the armed forces' lacked lift capacity and would need additional equipment for additional operations. Ms. Newman replied that the U.S. had provided lift and the European Union had given money in the past for equipping peacekeepers. She recommended that the U.S. and the GRM discuss further Mozambique's needs and how we could help. Banze nodded and added that internal government discussions had already begun over contributing to peacekeeping operations in Darfur, starting in the final months of the Chissano administration. Banze also noted Mozambique's interest in continuing discussions started last year on an Acquisition and Cross Servicing agreement with the USG.

¶14. (C) NYATI DISPUTE AND PROMOTING TRADE AND INVESTMENT: Couching her comments in terms of the value for Mozambique of trade and investment as opposed to aid, the Assistant Secretary stressed to the Foreign Minister the need for a

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stable regulatory environment. In this context, the ongoing land dispute over the Nyati Beach Lodge hurt Mozambique's reputation among U.S. investors and within the USG. She pointed out, too, that because the U.S. investor had financial backing from the Overseas Private Investment Corporation (OPIC), the dispute now was widely known within the USG, affecting perceptions of the country. She urged that the GRM deal with Nyati as soon as possible. FM Abreu said that she understood the harm the matter caused and that her government would "push" the matter. The Council of Ministers had discussed the matter the previous week, and discussions had taken place with Interior Minister Pacheco. She noted the difficulty of the executive branch influencing judicial matters. When A/S Newman raised the June summit of the Corporate Council on Africa in Baltimore, Minister Abreu responded that her government was very interested, and she assured Ms. Newman that a delegation would be sent.

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Other Events  
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15. (SBU) A/S Newman also met with HIV/AIDS NGO leader and former Mozambican first lady Graca Machel to discuss the fight against HIV/AIDS. Septel reports her meeting with Minister in the Presidency for Diplomatic Affairs Francisco Madeira. At a lunch in her honor hosted by Vice Foreign Minister Banze, she elaborated on the topics listed above and discussed other regional issues with Banze and other Foreign Ministry officials. An evening press event and an impromptu interview after her meeting with President Guebuza resulted in positive media coverage of her visit. A dinner hosted by the Ambassador gave her an opportunity to discuss USG priorities informally with Minister Madeira, Vice Minister Banze, Maputo Mayor Comiche, FRELIMO party whip in the National Assembly Manuel Tome, National AIDS Council chair Joanna Mangueira, and business and media figures.

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